

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 L-03 DRC-01

TRSE-00 /053 W

----- 084249

P 022135Z AUG 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 9669

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EO 11652: N/A

TAGS: ETRN, CI

SUBJECT: CIVAIR - RECIPROCAL TAX EXEMPTION AGREEMENT

REFS: (A) SANTIAGO 2698; (B) STATE 046247, MARCH 13, 1973

1. LOCAL BRANIFF OFFICE INFORMS US THAT REPORT ON TAX AGREEMENT PREPARED BY CHILEAN INTERNAL REVENUE SERVICE (CIRS) RECOMMENDS AGAINST APPROVAL RECIPROCAL TAX EXEMPTION. CIRS REPORTEDLY MAINTAINS THAT IT IS CONTRARY CHILE'S INTEREST CHANGE TAXES AND THAT EXCEPTION SHOULD NOT BE MADE FOR U.S., AS SEVERAL OTHER COUNTRIES ALSO REQUESTING EXEMPTION ON RECIPROCAL BASIS.

2. ACCORDING TO BRANIFF, LAN PRESIDENT (GENERAL STUARDO) REGRETS CIRS ATTITUDE AND IS WILLING TO PARTICIPATE IN MEETING INVOLVING BRANIFF VICE PRESIDENT FOR CHILE CARLOS BRUNSON, MINISTER OF FINANCE JORGE CAUAS AND EMBASSY OFFICER, IN DIRECT EFFORT TO ACHIEVE AGREEMENT THIS LONG-PENDING MATTER. BRUNSON SAYS GEN. STUARDO IS SEEKING APPOINT WITH CAUAS SOMETIME NEXT WEEK FOR THIS GROUP.

3. COMMENT: THIS NEGOTIATION, WHICH HAS BEEN IN PROGRESS FOR ALMOST TWO YEARS, NOW SEEMS TO BE REACHING CRUCIAL STAGE. IT IS NOT CLEAR TO US THAT GOC OFFICIALS, INCLUDING GENERAL STUARDO, ARE AWARE THAT LAN CHILE APPARENTLY HAS NEVER PAID
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U.S. TAXES OR FILED RETURNS (REF B). WHILE IT IS OUR UNDER-

STANDING THAT BRANIFF MAKES MORE PROFIT IN CHILE THAN LAN DOES
IN THE UNITES STATES, CIRS MIGHT REASSESS ITS POSITION IF IT
APPEARED LAN WERE ABOUT TO GET LARGE BILL FOR BACK TAXES.
EMBASSY IS NOT RECOMMENDING SUCH ACTION AGAINST LAN. WE DO WISH
TO RAISE FOR DEPARTMENT'S CONSIDERATION RATHER COMPLEX POLICY
QUESTIONS OF HOW ACTIVELY WE WISH TO PUSH TAX EXEMPTION AGREE-
MENT WITH GOC AND WHAT ROLE EMBASSY SANTIAGO SHOULD PLAY.

4. ACTION REQUESTED: WOULD APPRECIATE EARLY GUIDANCE.
POPPER

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Message Attributes

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